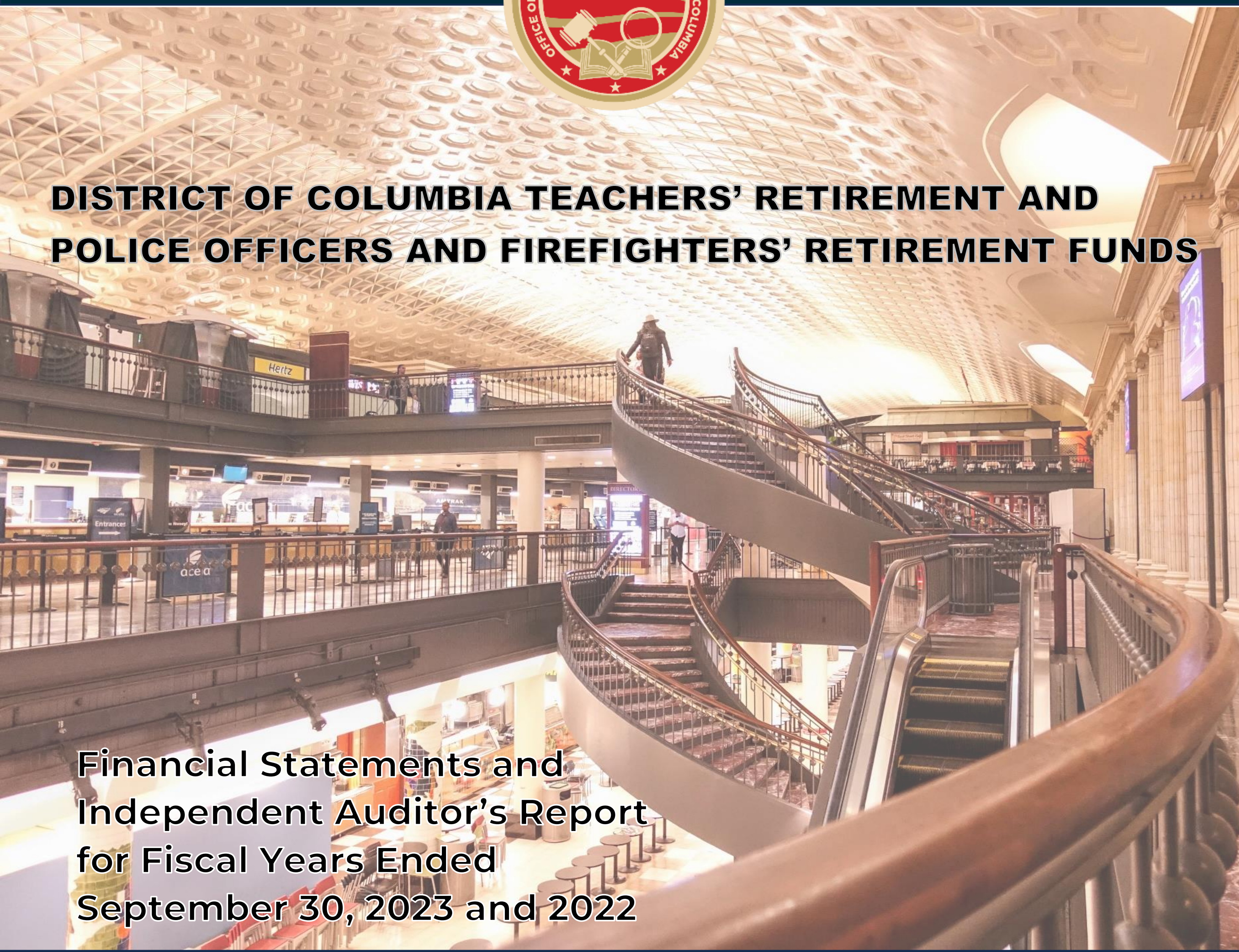
DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 23-1-18MA

January 31, 2024



DISTRICT OF COLUMBIA TEACHERS' RETIREMENT AND POLICE OFFICERS AND FIREFIGHTERS' RETIREMENT FUNDS

Financial Statements and Independent Auditor's Report for Fiscal Years Ended September 30, 2023 and 2022

GUIDING PRINCIPLES

ACCOUNTABILITY ⁕ INTEGRITY ⁕ PROFESSIONALISM

TRANSPARENCY ⁕ CONTINUOUS IMPROVEMENT ⁕ EXCELLENCE

OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government to

- prevent and detect corruption, mismanagement, waste, fraud, and abuse.
- promote economy, efficiency, effectiveness, and accountability.
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

OUR GUIDING PRINCIPLES

- Accountability
- Continuous Improvement
- Excellence
- Integrity
- Professionalism
- Transparency

January 31, 2024

The Honorable Muriel Bowser
Mayor of the District of Columbia
Mayor's Correspondence Unit
John A. Wilson Building
1350 Pennsylvania Avenue NW, Suite 316
Washington, DC 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue NW, Suite 504
Washington, DC 20004

Subject: **District of Columbia Teachers' Retirement and Police Officers and Firefighters' Retirement Funds | 23-1-18MA**

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *District of Columbia Teachers' Retirement and Police Officers and Fire Fighters' Retirement Funds Financial Statements and Independent Auditor's Report for Fiscal Years Ended September 30, 2023 and 2022* (OIG No. 23-1-18MA). McConnell Jones, LLP (MJ) submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2023. MJ is contractually required to review the work papers of Watson Rice, LLP (WR), which audited the financial statements of the Funds to independently determine whether the financial statements are fairly presented.

On December 15, 2023, WR issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. WR identified no material weaknesses in internal control over financial reporting. MJ concurred with WR's opinion and conclusions.

If you have questions about this report, please contact me or Eileen Shanklin-Andrus, Acting Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Daniel W. Lucas
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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Mr. Wayne McConnell, Managing Partner, McConnell & Jones LLP

DISTRICT OF COLUMBIA TEACHERS' RETIREMENT FUND AND POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND

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(For the Years ended September 30, 2023, and 2022)

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FINANCIAL SECTION - SUPPLEMENTARY INFORMATION

WatsonRice
Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees, District of Columbia Retirement Board for
District of Columbia Teachers' Retirement Fund and
District of Columbia Police Officers and Fire Fighters' Retirement Fund

Report on the Funds' Financial Statements

Opinions

We have audited the accompanying combining financial statements of District of Columbia Teachers' Retirement Fund and District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Funds), Pension Trust Funds of the Government of the District of Columbia (the District), which comprise the Combining Statements of Fiduciary Net Position as of September 30, 2023 and 2022, and the related Combining Statements of Changes in Fiduciary Net Position for the years then ended, and the related notes to the Funds combining financial statements, which collectively comprise the Funds' basic financial statements.

In our opinion, the Funds' basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds, as of September 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, these financial statements are intended to present the financial position and changes in financial position of the Funds, and do not purport to, and do not present fairly the financial position of the District of Columbia, as of September 30, 2023 and 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Funds' ability to continue as a going concern for one year from the date of the financial statements, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns, as listed in the table of contents, be presented to supplement the Funds' basic financial statements. Such information, although not a part of the Funds' basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the Funds' basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the Funds' basic financial statements, and other knowledge we obtained during our audit of the Funds' basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Funds' basic financial statements. The supplementary information, such as schedules of administrative expenses, schedules of investment expenses and schedules of payments to consultants, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the Funds' basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of the Funds' management and was derived from and relate directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses, schedules of investment expenses and schedules of payments to consultants are fairly stated, in all material respects, in relation to the Funds' basic financial statements as a whole.

The introductory, investment, actuarial, statistical, and additional disclosures sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements, and accordingly, we do not express an opinion, or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control over financial reporting and compliance.

Washington, D.C. Watson Rice LLP
December 15, 2023

Management's Discussion and Analysis (Unaudited)

INTRODUCTION

This discussion and analysis provide an overview of the financial activities of the District of Columbia Teachers' Retirement Fund (TRF) and Police Officers and Fire Fighters' Retirement Fund (POFRF), for the years ended September 30, 2023 and 2022, which collectively will be referred to as the "District Retirement Funds" or the"Fund." This discussion and analysis should be read in conjunction with the financial statements, the notes to the financial statements, the required supplementary information and the supplementary information provided in this Report.

The District of Columbia Retirement Board (the Board or DCRB) is an independent agency of the District of Columbia (the District or D.C.) Government. The Board is responsible for managing the assets of the District Retirement Funds. As authorized by D.C. Code, the Board pools the assets of the TRF and the POFRF into a single investment portfolio. The Board allocates the investment returns and expenses, and the administrative expenses of the Board, between the two District Retirement Funds in proportion to their respective net position. The Board maintains financial records of contributions, purchases of service, benefit payments, refunds, investment earnings, investment expenses, and administrative expenses.

Effective September 26, 2005, the Board entered a Memorandum of Understanding (MOU) with the District of Columbia and the United States Department of the Treasury (the U.S. Treasury) to administer the pension benefits under the TRF and the POFRF for all retirees, survivors and beneficiaries that are the financial responsibility of the District of Columbia (service earned on and after July 1, 1997) and the Federal Government (service through June 30, 1997). In addition to the Board's administrative duties, the U.S. Treasury also provides certain administrative services related to the administration of pension benefits under the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan (the Plans). The administrative costs incurred while administering the pension benefits are shared by DCRB and the U.S. Treasury in accordance with an MOU that is agreed to annually between the two parties.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES

The following discussion and analysis are intended to serve as an introduction to DCRB's financial statements. The basic financial statements include:

The Combining Statements of Fiduciary Net Position are a point-in-time snapshot of plan fund balances at fiscal year-end. It reports the assets available to pay future benefits to retirees, and any liabilities that are owed as of the statement date. The resulting Net Position (Assets – Liabilities = Net Position) represents the value of assets restricted for pensions net of liabilities owed as of the financial statement date.

The Combining Statements of Changes in Fiduciary Net Position display the effect of financial transactions that occurred during the fiscal year, where Additions – Deductions = Change in Net Position. This increase (or decrease) in Net Position reflects the change in the value of Net Position Restricted for Pensions.

The Notes to Financial Statements contain disclosures and discussions which support the data presented in the financial statements. The notes present information about the creation and administration of the Fund, significant accounting policies, and investments. The notes are an integral part of the financial statements and should be considered in conjunction with any review of the financial statements.

The Required Supplementary Information consists of schedules of changes of employers' net pension liability and related ratios, employer contributions, and the money-weighted rate of investment returns.

The Supplementary Information includes additional information on the District Retirement Funds including schedules of administrative expenses, investment expenses, and payments to consultants. These schedules include more detailed information pertaining to the Plans.

FINANCIAL HIGHLIGHTS

DCRB's combined total net position increased by $1.1 billion, or 11.2% during fiscal year 2023.

Management's Discussion and Analysis (Unaudited)

DCRB's net of fees rate of return on investments for fiscal year 2023 was 11.9% compared with fiscal year 2022 rate of return of -12.5%. This was due to improved market conditions and above average performance in 2023. DCRB had a net pension liability of $346.0 million for TRF and a net pension asset of $295.5 million for POFRF. As a percentage of covered payroll, the net pension liability was 55.4% for TRF and the net pension asset was 57.7% for POFRF as of September 30, 2023. The Funding status for TRF and POFRF were 89.3% and 104.0%, respectively.

ANALYSIS OF FINANCIAL INFORMATION

DCRB's funding objective is to meet long-term benefit obligations with net investment income and employer and member contributions. The discussion below provides an analysis of the current year's financial activities in relation to the current member population and relevant economic conditions for the combined Funds.

The following Condensed and Combining Statements of Fiduciary Net Position present financial information for the combined Funds and compare fiscal years 2023, 2022, and 2021.

(Dollars in thousands)

	2023	2022 Restated	2021 Restated	2023 Percent Change	2022 Restated Percent Change
Assets					
Cash and Short-Term Investments	$ 118,689	$ 228,526	$ 87,331	(48.1) %	161.7 %
Receivables	20,741	18,529	10,087	11.9	83.7
Prepaid Expenses	-	-	294	-	(100.0)
Investments at Fair Value	10,427,680	9,265,761	10,876,794	12.5	(14.8)
Net Capital Assets	322	325	75	(0.9)	333.3
Right to Use Asset	8,924	10,225	11,627	(12.7)	(12.1)
Total Assets	10,576,356	9,523,366	10,986,208	11.1	(13.3)
Liabilities					
Accounts Payable and Other Liabilities	8,500	8,424	9,916	0.9	(15.0)
Due to Federal Government	750	658	624	14.0	5.4
Investment Payables	18,923	29,446	27,163	(35.7)	8.4
Right to Use Obligation	10,103	11,437	12,803	(11.7)	(10.7)
Total Liabilities	38,276	49,965	50,506	(23.4)	(1.1)
Net Position Restricted for Pensions	$ 10,538,080	$ 9,473,401	$ 10,935,702	11.2 %	(13.4) %

Assets

In fiscal year 2023, cash and short-term investments decreased by $109.8 million (-48.1%) while receivables increased by $2.2 million (11.9%) over fiscal year 2022. The decrease in cash and short-term investments was the result of more favorable market conditions and the desire to invest these funds in the market. The increase in receivables was due to the year-end analysis of the investment positions and the timing of contributions received from the members.

In fiscal year 2023, investment assets increased by $1,161.9 million (12.5%) over fiscal year 2022. This was due to higher-than-expected returns due to improved market conditions and performance over fiscal year 2022. The net of fee rate of return on investments was 11.9% during fiscal year 2023 compared to -12.5% in fiscal year 2022.

Management's Discussion and Analysis (Unaudited)

During fiscal year 2023, the right-to-use asset decreased by $1.3 million or -12,7% because of the annually required amortization.

Liabilities

Accounts payable and other liabilities include accrued payroll, and other accrued administrative expenses. In fiscal year 2023, accounts payable and other liabilities increased by $0.8 million (0.9%) from fiscal year 2022.

Investment and administrative assets and liabilities are commingled and allocated between TRF and POFRF funds based on their proportionate net position in the pool. Please see "Allocation" on **page 19** of Notes to Financial Statements for details.

The following Condensed and Combining Statements of Changes in Fiduciary Net Position present financial information for the combined Funds and compare fiscal years 2023, 2022, and 2021.

(Dollars in thousands)

	2023	2022 Restated	2021 Restated	2023 Percent Change	2022 Restated Percent Change
Additions					
Contributions:					
District Government	$ 125,343	$ 184,025	$ 180,411	(31.9) %	2.0 %
Plan Members	102,940	83,911	83,122	22.7	0.9
Net Investment Income (Loss)	1,171,317	(1,434,126)	1,905,258	181.7	(175.3)
Other Income	3,528	3,209	3,538	9.9	(9.3)
Total Additions (Reductions)	1,403,128	(1,162,981)	2,172,329	220.6	(153.5)
Deductions					
Annuitant Benefit Payments	311,183	275,336	245,859	13.0	12.0
Refunds	7,838	7,413	5,837	5.7	27.0
Administrative Expenses	19,428	16,571	16,511	17.2	0.4
Total Deductions	338,449	299,320	268,207	13.1	11.6
Change in Fiduciary Net Position	$ 1,064,679	$ (1,462,301)	$ 1,904,122	172.8 %	(176.8) %

Additions

Additions to net position are comprised of employer contributions, employee contributions, net investment income, and other income. For fiscal year 2023, these additions totaled $1,403.1 million, an increase of $2,566.1 million from the fiscal year 2022 amount of $-1163.0 million. The increase was due to improved market conditions that resulted in better-than-expected returns in fiscal year 2023. This was the primary reason for the total increase to the net position figure for fiscal year 2023.

Management's Discussion and Analysis (Unaudited)

Employer contributions in fiscal year 2023 totaled $125.3 million, a decrease of $58.7 million (-31.9%) from the fiscal year 2022 amount of $184.0 million. The employer contributions were determined for TRF and POFRF separately by the actuarial valuations based on the experience study completed in 2021. In 2023, 38.2% of employer contribution was for TRF and 61.8% was for POFRF. The employer contributions for TRF and POFRF were 40.8% and 59.2% in 2022, and 39.1% and 60.9% in 2021, respectively.

Plan member contributions in fiscal year 2023 totaled $102.9 million, an increase of $19.0 million (22.7%) over the fiscal year 2022 amount of $83.9 million. Member contributions consist of amounts paid by members for future retirement benefits and increased for three reasons: salary increases, purchases of service (POS), and an increase in active, contributing participants.

For fiscal year 2023, there was a net investment gain of $1,171.3 million, an increase of $2,605.4 million from fiscal year 2022's net investment income of $-1,434.1 million. The investment returns net of fees was 11.9% in 2023, -12.5% in fiscal year 2022, and 20.9% in fiscal year 2021. Investment management fees reflected in the statement of changes in fiduciary net position were $33.2 million and $22.0 million for fiscal years 2023 and 2022, respectively. The increase is consistent with the improved investment performance in 2023 compared with fiscal year 2022. These fees represent only amounts billed by public and certain private managers during the year. These fees do not include amounts earned by certain managers, who report investment performance net of fees. Overall, the Board estimates that public managers' fees range from 0.01% to 0.65% (an estimated average of 0.15%) of net asset position. It is estimated that fees with private managers range on average from 0.55% to 2.5% which includes fees on capital calls as well as performance-based fees. Investments with public managers represents approximately 80% of total investments.

Other income in fiscal year 2023 totaled $3.5 million, which was 9.9% increase over the fiscal year 2022 amount of $3.2 million. Other income consists mainly of reimbursements of administrative expenses from the U.S. Treasury, which do not fluctuate significantly from year to year.

Deductions

The statutory mandate of DCRB is to provide retirement, survivor, and disability benefits to eligible members and their survivors. The costs of such programs include recurring benefit payments, elective refunds of contributions to employees who terminate employment, and the cost of administering the District Retirement Plans.

Deductions from net position are comprised of benefit payments, refunds, and administrative expenses. During fiscal year 2023, these deductions totaled $338.4 million, an increase of $39.1 million (13.1%) over the fiscal year 2022 amount of 299.4 million.

Benefit payments for 2023 totaled $311.2 million, an increase of $35.8 million (13.0%) over the fiscal year 2022 amount of $275.3 million. This increase is due to the demographic change of retirees and survivors receiving benefits. The benefit payments for members who retired after June 30, 1997, are paid by the District only and the number of these post 1997 retirees increased by 173 members in fiscal year 2023, 251 members in fiscal year 2022, and 187 members in fiscal year 2021. This fiscal year 2023 increase in retirees was in the POFRF. Benefit payments made on behalf of retirees, disabled, and other beneficiaries comprised 91.9% and 92.0% of the funds' expenses in fiscal years 2023 and 2022, respectively.

Refunds of member contributions in fiscal year 2023 totaled $7.8 million, an increase of $0.4 million (5.7%) over the fiscal year 2022 amount of $7.4 million. Refunds are typically higher in the TRF than in the POFRF because the annual turnover for teachers is higher than for public safety employees. These refunds of member contributions are at the discretion of the member and vary from year to year.

Management's Discussion and Analysis (Unaudited)

Administrative expenses in fiscal year 2023 totaled $19.4 million, an increase of $2.9 million (17.2%) from the fiscal year 2022 amount of $16.6 million. Administrative expenses consist of administrative personnel costs, payments to the U.S. Treasury for processing monthly retiree benefit payment services, professional fees, rent expenses, and other miscellaneous operational expenses. The primary drivers of the administrative expense increase were personnel services and professional fees.

Funding Status

As of September 30, 2023 (the date of the most recent actuarial valuation), the funding status was 89.3% for TRF and 104.0% for POFRF. DCRB is a well-funded yet immature system as a result of the 1999 asset split with U.S. Treasury, in which U.S. Treasury assumed responsibility for all benefit obligations prior to July 1, 1997. As the system continues to mature, investment income is beginning to provide a greater percentage of the funds necessary to pay retirement benefits. Therefore, the long-term rate of investment return is critical to DCRB's long-term funding status.

As of September 30, 2023, the actuarial determined liability was $3.2 billion for the TRF and $7.4 billion for the POFRF for a total of $10.6 billion. The fair value of these assets as of September 30, 2023, included on the financial statements of DCRB, was $2.9 billion for the TRF and $7.7 billion for the POFRF for a total of $10.5 billion.

ADDITIONAL INFORMATION

These financial statements of the District Retirement Funds are presented in accordance with accounting principles generally accepted in the United States of America. Questions about these financial statements or other inquiries should be addressed to the Executive Director, District of Columbia Retirement Board, 900 7th Street, NW, 2nd Floor, Washington, D.C. 20001.

FINANCIAL STATEMENTS

Combining Statements of Fiduciary Net Position

As of September 30, 2023 and 2022
(Dollars in thousands)

	2023			2022 Restated		
	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total
ASSETS						
Cash and Short-Term Investments	$ 32,461	$ 86,228	$ 118,689	$ 62,042	$ 166,484	$ 228,526
Receivables:						
Federal Government	259	688	947	264	708	972
Investment Receivables	1,334	3,544	4,878	1,012	2,717	3,729
Interest and Dividends Receivable	2,566	6,816	9,382	2,523	6,772	9,295
Employee Contributions	3,245	2,289	5,534	2,576	1,951	4,527
Other Receivables	-	-	-	2	4	6
Total Receivables	7,404	13,337	20,741	6,377	12,152	18,529
Investments at Fair Value:						
Domestic Equity	589,212	1,565,127	2,154,339	545,974	1,465,355	2,011,329
International Equity	792,079	2,104,006	2,896,085	654,546	1,756,754	2,411,300
Fixed Income	641,970	1,705,270	2,347,240	647,119	1,736,819	2,383,938
Real Assets	361,586	960,484	1,322,070	342,330	918,789	1,261,119
Private Equity	467,123	1,240,823	1,707,946	325,217	872,858	1,198,075
Total Investments at Fair Value	2,851,970	7,575,710	10,427,680	2,515,186	6,750,575	9,265,761
Capital Assets	168	447	615	160	431	591
Less Depreciation	(80)	(213)	(293)	(72)	(194)	(266)
Net Capital Assets	88	234	322	88	237	325
Right to Use Asset	2,441	6,483	8,924	2,776	7,449	10,225
Total Assets	2,894,364	7,681,992	10,576,356	2,586,469	6,936,897	9,523,366
LIABILITIES						
Accounts Payable and Other Liabilities	2,325	6,175	8,500	2,259	6,165	8,424
Due to Federal Government	205	545	750	179	479	658
Investment Payables	5,176	13,747	18,923	7,993	21,453	29,446
Right to Use Obligation	2,763	7,340	10,103	3,105	8,332	11,437
Total Liabilities	10,469	27,807	38,276	13,536	36,429	49,965
Net Position Restricted for Pensions	$ 2,883,895	$ 7,654,185	$ 10,538,080	$ 2,572,933	$ 6,900,468	$ 9,473,401

See accompanying Notes to Combining Financial Statements

Combining Statements of Changes in Fiduciary Net Position

For the Years Ended September 30, 2023 and 2022
(Dollars in thousands)

	2023 Teachers' Retirement Fund	2023 Police Officers and Fire Fighters' Retirement Fund	2023 Total	2022 Restated Teachers' Retirement Fund	2022 Restated Police Officers and Fire Fighters' Retirement Fund	2022 Restated Total
Additions						
Contributions:						
District Government	$ 47,835	$ 77,508	$ 125,343	$ 75,060	$ 108,965	$ 184,025
Plan Members	58,691	44,249	102,940	46,914	36,997	83,911
Total Contributions	106,526	121,757	228,283	121,974	145,962	267,936
Investment Income						
Net Appreciation (Depreciation) in Fair Value of Investments	294,659	786,444	1,081,103	(408,303)	(1,095,540)	(1,503,843)
Interest	15,601	41,544	57,145	7,360	19,772	27,132
Dividends	9,022	24,032	33,054	10,063	27,026	37,089
Other Investment Income	9,056	24,111	33,167	7,456	20,022	27,478
Total Gross Investment Income	328,338	876,131	1,204,469	(383,424)	(1,028,720)	(1,412,144)
Less:						
Investment Expenses	12,266	20,886	33,152	5,967	16,015	21,982
Net Investment Income	316,072	855,245	1,171,317	(389,391)	(1,044,735)	(1,434,126)
Other Income	965	2,563	3,528	871	2,338	3,209
Total Additions (Reductions)	423,563	979,565	1,403,128	(266,546)	(896,435)	(1,162,981)
Deductions						
Annuitant Benefit Payments	104,339	206,844	311,183	95,352	179,984	275,336
Refunds	5,689	2,149	7,838	5,236	2,177	7,413
Administrative Expenses	2,573	16,855	19,428	4,500	12,071	16,571
Total Deductions	112,601	225,848	338,449	105,088	194,232	299,320
Change in Fiduciary Net Position	310,962	753,717	1,064,679	(371,634)	(1,090,667)	(1,462,301)
Net Position Restricted for Pensions:						
Beginning of Year	2,572,933	6,900,468	9,473,401	2,944,567	7,991,135	10,935,702
End of Year	$ 2,883,895	$ 7,654,185	$ 10,538,080	$ 2,572,933	$ 6,900,468	$ 9,473,401

See accompanying Notes to Combining Financial Statements

Notes to Financial Statements

NOTE 1: ORGANIZATION

The District of Columbia Teachers' Retirement Fund (TRF) and the District of Columbia Police Officers and Fire Fighters Retirement Fund (POFRF), collectively referred to as the Fund or the District Retirement Funds, are two separate single-employer defined benefit pension plans that were established in 1979 by the District of Columbia Retirement Reform Act (the Reform Act, Pub. L. 96- 122, D.C. Code § 1-701 et seq.). The Fund holds in trust the assets available to pay pension benefits to teachers, police officers, and firefighters of the District of Columbia Government. The Reform Act also established the District of Columbia Retirement Board.

The National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act, Title XI of the Balanced Budget Act of 1997, Pub. L. 105-33) transferred significant assets and liabilities of the District Retirement Funds to the Federal Government. The Revitalization Act transferred to the Federal Government the liability for retirement benefits for employee service credit earned prior to July 1, 1997, by participants of the District Retirement Funds. The assets transferred to the Federal Government were intended to partially fund this liability.

On September 18, 1998, the Council of the District of Columbia (the Council) enacted the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 (the Replacement Act). The Replacement Act established the District Retirement Plans for employee service earned after June 30, 1997 and provided for full funding of these benefits on an actuarially sound basis.

The Board is an independent agency of the District of Columbia government that is responsible for managing the assets of the TRF and the POFRF. Although the assets of these funds are commingled for investment purposes, each fund's assets may only be used for the payment of benefits to the participants of that fund and certain administrative expenses.

The District Retirement Funds are included in the District's Annual Comprehensive Financial Report as a pension trust fund.

NOTE 2: FUND ADMINISTRATION AND DESCRIPTION

District of Columbia Retirement Board

The Board consists of 12 trustees, three appointed by the Mayor of the District, three appointed by the Council of the District, and six elected by the active and retired participants. Included are one active and one retired representative each, from the police officers, firefighters, and teachers. Each of the six representatives of the Plans' participants is elected by the respective groups of active and retired employees. In addition, the District's Chief Financial Officer or his designee serves as a nonvoting, ex-officio trustee.

Since its inception, the Board has operated under a committee system which provides a two-tiered process for fiduciary review and analysis. In this manner, the Board, consistent with its fiduciary duties, reviews all issues brought before it. The Board has six standing committees: Benefits, Audit, Fiduciary, Investments, Legislative, and Operations. To implement its policies, the Board retains an Executive Director and other staff who are responsible for the day-to-day management of the District Retirement Funds and the administration of the benefits paid from the Funds.

Teachers' Retirement Fund

Other Entities involved in Plan Administration – The District of Columbia Public School's (DCPS) Office of Human Resources makes decisions regarding voluntary and involuntary retirement, disability retirement, and annual medical and income reviews.

Notes to Financial Statements

Teachers' Retirement Fund (Continued)

Benefits Calculation – DCRB's Benefits Department receives the approved retirement applications and supporting documentation for all active Plan members found eligible for retirement by the DCPS Office of Human Resources and carries out the day-to- day processing of retirement benefits. DCRB also processes employee requests for refunds of contributions and purchases of service.

Eligibility – Permanent, temporary, part-time, and probationary teachers and certain other employees of the District of Columbia public day schools are automatically enrolled in the Teachers' Retirement Plan on their date of employment. Certain conditions apply for part-time teachers. Substitute teachers and employees of the Department of School Attendance and Work Permits are not covered.

Certain former DCPS Teachers Retirement plan members employed by D.C. Public Charter School are also eligible to be participants if they elect to continue Plan participation within 90 days of last day of service with DCPS.

Title 38, Chapter 20 of the D.C. Official Code (D.C. Code § 38-2021.01 et seq. (2001 Ed.)) establishes benefit provisions which may be amended by the District Council. For employees hired before November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 1.5% for each of the first five years of service, plus 1.75% for each of the second five years; plus 2% for each additional year over 10 years. For employees hired on or after November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 2% for each year of service. The average salary is the highest average consecutive 36 months of pay.

The annuity may be further increased by crediting unused sick leave as of the date of retirement. Participants receiving retirement benefits receive an annual benefit increase proportional to changes in the Consumer Price Index; however, the annual increase may not exceed 3% for participants hired on or after November 1, 1996. Participants may select from among several survivor options.

Participants who have 5 years of school service (by working for the District of Columbia public school system), and who become disabled and can no longer perform their jobs satisfactorily, may be eligible for disability retirement. Such disability retirement benefits are calculated in the same manner as a retirement benefit; however, a minimum disability benefit applies.

Voluntary retirement is available for teachers who have a minimum of 5 years of school service and who achieve the following age and length of service requirements:

- at age 62 with 5 years of service;
- at age 60 with 20 years of service; and
- at age 55 with 30 years of service; if hired before November 1, 1996; or
- at any age with 30 years of service, if hired by the school system on or after November 1, 1996.

Employees who are involuntarily separated other than for cause and who have 5 years of school service, may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service.

An involuntary retirement benefit is reduced if, at the time of its commencement, the participant is under the ageof 55.

Police Officers and Fire Fighters' Retirement Fund

Other Entities involved in Plan Administration – The District of Columbia Police Officers and Firefighters' Retirement and Relief Board makes findings of fact, conclusions of law, and decisions regarding eligibility for retirement and survivor benefits, determines the extent of disability, and conducts annual medical reviews. The Police and Fire Clinic determines medical eligibility for disability retirement.

Notes to Financial Statements

Police Officers and Fire Fighters' Retirement Fund (Continued)

Benefits Calculation – DCRB's Benefits Department receives the retirement orders for retirement benefit calculations for all active Plan members found eligible for retirement by the District of Columbia Police Officers and Firefighters' Retirement and Relief Board and carries out the day-to-day processing of retirement benefits. DCRB also processes employee requests for refunds of contributions and purchases of service. Effective 2013, DCRB began conducting annual disability income reviews.

Eligibility – A participant becomes a member when he/she begins work as a police officer or firefighter in the District. Cadets are not eligible to join the Plan.

Retirement and disability benefit provisions for District of Columbia police officers and firefighters are established by the "Policemen and Firemen's Retirement and Disability Act" (D.C. Code § 5 701 et seq. (2001 Ed.)).

Members Hired Before February 15, 1980 – Members are eligible for optional retirement with full benefits at any age after 20 years of departmental service, or for deferred retirement at age 55 after five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average consecutive 12 months of base pay, multiplied by departmental service through 20 years; plus 3% of average base pay multiplied by average base pay times departmental service over 20 years; plus 2.5% of average base pay multiplied by years of other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members terminated after five years of police or fire service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Retirement benefits are increased by the same percentage in base pay granted to active participants.

Members with a service-related disability receive a disability retirement benefit of 2.5% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 66⅔% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply.

Members with a nonservice related disability and at least five years of departmental service receive a disability retirement benefit of 2% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 40% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply.

Members Hired on or After February 15, 1980 and Before November 10, 1996 – Members are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by the number of years of creditable service through 25 years; plus 3% of average base pay multiplied by the number of years of departmental service over 25 years; plus 2.5% of average base pay multiplied by the number of years of other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members separated from the Police or Fire Department after five years of departmental service are entitled to a deferred pension beginning at age 55.

Members with a service-related disability receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 40% of base pay applies.

Members with a nonservice related disability and at least five years of departmental service receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 30% of base pay applies.

Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members who retired after February 15, 1980 receive annual benefit increases proportional to changes in the Consumer Price Index.

Notes to Financial Statements

Police Officers and Fire Fighters' Retirement Fund (Continued)

Members Hired on or After November 10, 1996 – Members are eligible for retirement at any age, with at least 25 years of departmental service or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the average base pay. Members separated after five years of departmental service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members receive annual benefit increases proportional to changes in the Consumer Price Index, however, the increase is capped at 3%.

Members with a service-related disability receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 40% of base pay applies.

Members with a nonservice related disability and at least five years of departmental service receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 30% of base pay applies.

Prior to reaching age 50, a disability retirement benefit will be reduced or terminated if outside earnings exceed a certain limit.

Participant Data

The number of participants used in the actuarial valuation as of September 30 was as follows:

Teachers' Retirement Fund	2023	2022
Service Retired, Disabled and Beneficiaries (Post June 30, 1997)	5,910	4,065
Active Plan Members	6,171	6,088
Vested Terminations	1,287	1,718
Total Participants	13,368	11,871

Police Officers and Fire Fighters' Retirement Fund	2023	2022
Service Retired, Disabled and Beneficiaries (Post June 30, 1997)	4,936	4,373
Active Plan Members	5,033	5,133
Vested Terminations	272	356
Total Participants	10,241	9,862

Total	2023	2022
Service Retired, Disabled and Beneficiaries (Post June 30, 1997)	10,846	8,438
Active Plan Members	11,204	11,221
Vested Terminations	1,559	2,074
Total Participants	23,609	21,733

Notes to Financial Statements

Contributions

As a condition of participation, members are required to contribute certain percentages of salaries as authorized by statute. Plan members contribute by salary deductions at rates established by D.C. Code § 5-706 (2001 Ed.). Members contribute 7% (or 8% for Teachers and Police Officers and Firefighters hired on or after November 1, 1996 and November 10, 1996, respectively) of annual gross salary, including any differential for special assignment and longevity, but excluding overtime, holiday, or military pay.

The District is required to contribute the amounts necessary to finance the Plan benefits of its members through annual contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The amount of the District contributions for fiscal years 2023 and 2022 were equal to the amounts computed by the Board's independent actuary.

Contribution requirements of members are established by D.C. Code §5-706 and requirements for District of Columbia Government contributions to the Fund are established at D.C. Code §1-907.02 (2001 Ed.), which may be amended by the City Council.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

DCRB's financial statements were prepared in accordance with accounting principles generally accepted in the United States (GAAP) using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. Employee contributions are recognized at the time compensation is paid to Plan members. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement Plan's commitment.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of private investment funds, including private equity and private real assets, is determined using unit values supplied by the fund managers, which are based upon the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgement and may differ from amounts which would be realized if such holdings were sold. The fair value of limited partnership investments is based on valuations of the underlying assets of the limited partnerships as reported by the general partner. A significant number of investment managers provide account valuations net of management expenses. Those expenses are netted against investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, at the date of the financial statements and additions and deductions during the reporting period. Significant estimates include the pension obligations and useful lives of capital assets. Actual results could differ from those estimates.

Reclassification

Certain accounts in the prior-year financial statements, related to capital assets and leases have been reclassified for comparative purposes to conformto the presentation in the current-year financial statements.

Notes to Financial Statements

Allocation

District and employee contributions are deposited in the respective Retirement Fund for which the contribution was made, and benefit payments and employee contribution refunds are withdrawn from the Fund of the Plan in which the recipient participates. Investment performance and administrative expenditures are allocated between the two Funds based upon their proportionate net position in the pool.

The allocation percentages fluctuate slightly between the TRF and POFRF every month. The allocation percentages were 27.35% for TRF and 72.65% for POFRF as of September 30, 2023 compared to 27.14% for TRF and 72.86% for POFRF as of September 30, 2022.

Recent Accounting Pronouncements

GASB 87, *Leases*, was postponed by eighteen months and requires adoption for all fiscal years that begin subsequent to June 15, 2021. DCRB adopted this statement during the year ended September 30, 2022.

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued in May 2020. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. DCRB has implemented this requirement for the Fiscal Year ending September 30, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, was issued in June 2022. The Statement objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. DCRB will evaluate the impact of the Statement and will adopt it, if applicable.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The Statement objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. DCRB will evaluate the impact of the Statement and will adopt it, if applicable.

Federal Income Tax Status

The District Retirement Funds are qualified plans under section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under section 501(a).

NOTE 4: LEASES

The Board is a lessee for a building lease entered on September 1, 2005, including the term of the First Amendment to the Lease, which extended the lease until February 28, 2029.

Effective September 1, 2021, the Board has recognized a right-to-use asset and liability of $14.3 million related to this agreement. The Board used the Districts' incremental borrowing rate of 1.57478% to recompute the initial leased asset and liability amounts recognized.

Notes to Financial Statements

Right-to-use leased asset

Right-to-use leased asset activity for the years ended September 30, 2023 and 2022 is as follows (in thousands):

	30-Sep-22	Additions	Deductions	30-Sep-23
Right-to-use leased asset				
Building	$ 14,259	$ -	$ -	$ 14,259
Less: accumulated amortization	4,200	1,568	-	5,768
	$ 10,059	$ (1,568)	$ -	$ 8,491

	30-Sep-21	Additions	Deductions	30-Sep-22
Right-to-use leased asset				
Building	$ 14,259	$ -	$ -	$ 14,259
Less: accumulated amortization	2,632	1,568	-	4,200
	$ 11,627	$ (1,568)	$ -	$ 10,059

Lease Liabilities

The net present value of the Board's minimum future lease payments for non-cancelable leases, as of September 30, 2023, is as follows (in thousands):

Fiscal Year	Principal	Interest	Total	Right of use lease liability
2024	$ 1,636	$ 142	$ 1,778	$ 8,098
2025	1,707	115	1,822	6,391
2026	1,780	88	1,868	4,611
2027	1,855	59	1,914	2,756
2028	1,933	30	1,963	823
2029	823	3	826	-
	$ 9,734	$ 437	$ 10,171	

Notes to Financial Statements

NOTE 5: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

DCRB implemented GASB 96 as of the fiscal year ended September 30, 2023. The Board has 6 SBITA contracts for the year ended September 30, 2023. DCRB used the same discount rate for SBITA leases, i.e., the Districts' incremental borrowing rate of 1.57478% to compute the initial subscription asset and liability amounts recognized. The Board ended the year with subscriptions assets valued at $432,709 and subscription liabilities of $369,100.

Right-to-use subscription asset activity for the years ended September 30, 2023 and 2022 is as follows (in thousands):

	30-Sep-22	Additions	Deductions	30-Sep-23
Right-to-use Sbita Asset				
Sbita Asset	$ 181	$ 313	$ -	$ 494
Less: accumulated amortization	15	46	-	61
	$ 166	$ 267	$ -	$ 433

	30-Sep-21	Additions	Deductions	30-Sep-22
Right-to-use Sbita Asset				
Sbita Asset	$ -	$ 181	$ -	$ 181
Less: accumulated amortization	-	15	-	15
	$ -	$ 166	$ -	$ 166

As of September 30, 2023, the Board had minimum principal and interest payment requirements for SBITA activities with remaining term in excess of one year as follows (in thousands):

Fiscal Year	Principal	Interest	Total	Right of use SBITA liability
2024	$ 122	$ 6	$ 128	$ 247
2025	126	4	130	121
2026	67	2	69	54
2027	54	1	55	-
	$ 369	$ 13	$ 382	

NOTE 6: INVESTMENTS

The Board is authorized to manage and control the investment of the District Retirement Funds' assets. The Board broadly diversifies the investments of the District Retirement Funds to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, as required by D.C. Code § 1-741(a)(2)(C), (2001 Ed.).

Master Trust – The Board has pooled all assets under its management (the Investment Pool), as is authorized by D.C. Code § 1-903(b), (2001 Ed.), with a master custodian under a master trust arrangement (the Master Trust). Using an investment pool, each Fund owns an undivided proportionate share of the pool.

Notes to Financial Statements

NOTE 6: INVESTMENTS (continued)

The following is the Board's approved asset allocation policy.

Asset Class	Target Allocation 2022	Target Allocation 2021	Allowable Ranges 2022	Allowable Ranges 2021
Public Equities	***46 %***	***46 %***	***34 - 58 %***	***34 - 56 %***
U.S. Equities	20	20	15 - 25	15 - 25
International Developed Market Equities	16	16	12 - 20	12 - 20
Emerging Market Equities	10	10	7 - 13	7 - 13
Fixed Income	***25***	***24***	***11 - 37***	***11 - 37***
U.S. Core Fixed Income	7	7	3 - 11	3 - 11
U.S. Long-Term Government Bonds	3	3	0 - 10	0 - 10
Treasury Inflation-Protected Securities	5	4	0 - 10	0 - 10
Bank Loans	2	2	0 - 4	0 - 4
Emerging Market Debt	4	4	0 - 8	0 - 8
High Yield Bonds	2	2	0 - 4	0 - 4
Foreign Bonds	2	2	0 - 4	0 - 4
Alternatives	***28***	***29***	***15 - 45***	***19 - 39***
Absolute Return	-	2	-	0 - 5
Private Equity	9	9	4 - 14	4 - 14
Private Credit	3	3	0 - 8	0 - 8
Real Assets	16	15	10 - 20	10 - 20
Real Estate	8	7	6 - 10	4 - 10
Infrastructure/Opportunistic	6	6	4 - 8	4 - 8
Natural Resources	2	2	1 - 3	1 - 3
Cash	***1***	***1***	***0 - 5***	***0 - 5***

***Custodial Credit Risk* –** Custodial credit risk is the risk that, in the event of the failure of the counterparty, DCRB will not be able to recover the value of its investments that are in the possession of an outside party. Investments held by the custodian on behalf of DCRB are held in an account in the name of DCRB. Funds not invested at the end of a given day are placed in overnight instruments in the name of DCRB.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity will have a greater sensitivity to fair value changes that are related to market interest rates. The Board monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Generally, the risk and return of the Board's fixed income segment of the portfolio is compared to the Barclays Capital U.S. Universal Index. To mitigate interest rate risk, the fixed income segment is expected to maintain a weighted average duration (sensitivity to interest rate changes) within +/-2 years of the duration of this Index.

Notes to Financial Statements

NOTE 6: INVESTMENTS (continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Unless specifically authorized otherwise in writing by the Board, fixed income managers invest in investment grade instruments rated in the top four rating categories by a recognized statistical rating service.

As of September 30, 2023, the investment pool held the following debt instruments:

(Dollars in thousands)

Investment Type	Rating*	Fair Value	Duration (Years)	Percentage of Portfolio
Bank Loans	B	14,608	(0.02)	0.52 %
	B-	10,331	(0.01)	0.37
	CCC+	22,692	(0.03)	0.81
	CCC	24,968	(0.12)	0.90
	CCC-	3,948	(0.02)	0.14
	NR	27,906	(0.11)	1.00
Corporate Bonds - US	BBB-	1,107	0.04	0.04
(including convetible bonds)	BB+	2,725	0.10	0.10
	BB	481	0.02	0.02
	B+	9,675	0.32	0.35
	B	21,888	0.72	0.78
	B-	19,200	0.34	0.69
	CCC+	21,886	0.62	0.78
	CCC	20,812	0.52	0.75
	CCC-	697	0.02	0.02
	C	1,332	0.04	0.05
	NR	22,404	(0.01)	0.80
Corporate Bonds - Foregin	B-	10,508	1.34	0.38
	CCC	8,287	0.84	0.30
U.S. Treasury	AA+	1,367,501	-	49.04
Fixed Income Pooled Funds	NR	1,175,491	N/A	42.16
Total Fixed Income		$ 2,788,444		100.00 %

* Using quality ratings provided by Standard & Poor's

Notes to Financial Statements

NOTE 6: INVESTMENTS (continued)

As of September 30, 2022, the Investment Pool held the following debt instruments:

(Dollars in thousands)

Investment Type	Rating*	Fair Value	Duration (Years)	Percentage of Portfolio
Bank Loans	B	$ 5,694	(0.03)	0.24 %
	B-	3,615	0.00	0.15
	CCC+	21,209	0.01	0.89
	CCC	31,758	(0.05)	1.33
	NR	50,956	(0.00)	2.13
Corporate Bonds - US	BB+	13,495	0.39	0.56
(including convertible bonds)	BB-	11,757	0.31	0.49
	B+	3,942	0.11	0.16
	B	27,368	0.58	1.14
	B-	18,585	0.47	0.78
	CCC+	57,178	1.11	2.39
	CCC	29,105	0.65	1.22
	CCC-	2,415	0.06	0.10
	NR	28,309	0.13	1.18
Corporate Bonds - Foreign	B+	1,671	0.23	0.07
	B-	14,561	2.04	0.61
	CCC	8,460	1.01	0.35
U.S. Treasury	AA+	962,634	0.63	40.27
Fixed Income Pooled Funds	NR	1,097,485	N/A	45.92
Total Fixed Income		$ 2,390,195		100.00 %

* Using quality ratings provided by Standard & Poor's

Notes to Financial Statements

NOTE 6: INVESTMENTS (continued)

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. As a general policy, investment managers with authority to invest in issuers denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the forward currency markets. Since the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise. For the years ended September 30, 2023 and 2022, total investments in foreign currencies were approximately $328 million and $266 million, respectively.

As of September 30, 2023, the investments that were denominated in a currency other than the United States Dollar, are summarized below:

(Dollars in thousands)

International Securities	Equity	Private Equity	Real Assets	Short-term and Other	Total Non-U.S. Dollar
Euro	$ -	$ 120,813	$ 49,758	$ -	$ 170,571
British pound sterling	-	98,116	-	-	98,116
Canadian dollar	-	58,673	-	-	58,673
Australian dollar	531	-	-	-	531
	$ 531	$ 277,603	$ 49,758	$ -	$ 327,891

Ss of September 30, 2022, the investments that were denominated in a currency other than the United States Dollar, are summarized below:

(Dollars in thousands)

International Securities	Equity	Private Equity	Real Assets	Short-term and Other	Total Non-U.S. Dollar
Euro	-	$ 116,211	$ 60,386	$ 42	$ 176,639
Canadian dollar	-	50,631	-	-	50,631
British pound sterling	-	30,020	-	8,316	38,336
	$ -	$ 196,862	$ 60,386	$ 8,358	$ 265,606

Securities Lending Transactions – The Board's policies permit the District Retirement Funds to participate in securities lending transactions by relying on a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Board's securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

The Board may participate in securities lending through its custodian in the future; however, it did not do so in fiscal years 2023 and 2022.

Notes to Financial Statements

NOTE 6: INVESTMENTS (continued)

Derivative Investments – Derivatives are generally defined as contracts in which the value depends on, or derives from, the value of an underlying asset, reference rate, or index. Derivative investments generally contain exposure to credit risk, market risk, and/or legal risk. Credit risk is the exposure to the default of another party to the transaction (counterparty). Market risk is the exposure to changes in the market, such as a change in interest rates, currency exchange rates, or a change in the price or principal value of a security. The Board believes that all contracts are legally permissible in accordance with approved investment policies.

In accordance with the aforementioned investment policies of the Board, the Funds' investment managers used various derivative instruments to increase potential earnings and/or to hedge against potential losses during fiscal year 2023 and 2022.

TBAs ("to-be-announced", sometimes referred to as "dollar rolls") are used by the Funds' investment managers as an alternative to hold mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. TBAs are used because they are expected to behave similarly to mortgage-backed securities with identical credit, coupon, and maturity features. Credit risk is managed by limiting these transactions to primary dealers. Market risk for TBAs is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forwards, futures, and options are generally used for defensive purposes. These contracts can reduce the Funds' exposure to particular currencies when adverse movements in exchange rates are expected. Foreign currency forwards and futures can introduce market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the underlying foreign exchange rates. Credit risk is managed by limiting derivative transactions to counterparties with short-term credit ratings of Al or Pl or by trading on organized exchanges. Currency options can increase or decrease the Funds' exposure to foreign currencies.

Equity index futures were also used by the Funds to gain exposure to equity markets. Equity index futures are more efficient and cheaper than investing in all underlying equity securities. Equity index futures may pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the Funds. The notional amounts of the contracts are not included in the derivatives holdings disclosed. Credit risk is managed by dealing with member firms of organized futures exchanges.

Liquid exchange-traded and over-the-counter bond futures and options were used by the Funds to gain exposure to fixed income markets more efficiently than purchasing the underlying bonds. Market risk for these derivatives may be larger or smaller than the risk of the underlying fixed income market itself. Credit risk is managed by limiting transactions to counterparties with investment-grade ratings or by trading with member firms of organized exchanges.

Warrants were used by the Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers of common stocks and bonds and are held for the same fundamental reasons as the original common stock and/or bonds. Stock rights are a security that gives the holder the entitlement to purchase new shares issued by a corporation at a predetermined price in proportion to the number of shares already owned. Market risk for warrants and rights is limited to the purchase cost. Credit risk for warrants and rights is similar to the underlying equity and/or bond holdings. Again, all such risks are monitored and managed by the Funds' external investment managers, who have full discretion over such investment decisions within a contractual set of investment guidelines.

Notes to Financial Statements

NOTE 6: INVESTMENTS (continued)

Swaps represent an agreement between two or more parties to exchange a sequence of cash flows during a predetermined timeframe. The Funds utilize swaps for several different reasons: to manage interest rate fluctuations, to protect against a borrower default, and/or to gain market exposure without having to own the asset.

The Funds may manage credit exposure using credit default swaps. A credit default swap (CDS) is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a CDS is that it allows for exposure to credit risk while limiting exposure to other risks such as interest rate and currency risk.

The Funds may hold derivative instruments directly via separately managed accounts or indirectly via pooled, commingled, or short-term funds. Information regarding risks associated with indirect holdings may not be disclosed.

Fair Value Measurements - DCRB categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the Net Asset Value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy as they do not have a readily determinable fair value.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. DCRB's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Plan management evaluated the significance of transfers between levels based upon the nature of the investments and size of the transfer relative to total net assets available for benefits, investments in private funds have been placed under Level 3 based on management's reevaluation of its valuation methodology.

Equity securities classified in Level 1 of the fair value hierarchy are valued at the last sale price or official close price as of the close of trading on the applicable exchange where the security principally trades.

Notes to Financial Statements

NOTE 6: INVESTMENTS (continued)

Equity and fixed income securities classified in Level 2 of the fair value hierarchy are valued at prices provided by independent pricing vendors. The vendors provide these prices after evaluating observable inputs including, but not limited to: quoted prices for similar securities, the mean between the last reported bid and ask prices (or the last bid price in the absence of an asked price), yield curves, yield spreads, credit ratings, deal terms, tranche level attributes, default rates, cash flows, prepayment speeds, broker/dealer quotations, inflation and reported trades.

Equity and fixed income securities classified in Level 3 are valued with last trade data having limited trading volume. Real assets classified in Level 3 are real asset investments generally valued using the income approach by internal manager reviews or independent external appraisers. The private equity program spans a range of underlying strategies including buyouts, growth equity/venture, private debt, secondaries, and fund-of-funds. The real asset program includes investments in a broad range of real estate strategies (i.e., core, value-added, opportunistic), infrastructure, and natural resources funds.

Investments measured at the Net Asset Value (NAV) – The unfunded commitment and redemption frequency and notice period for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the tables on pages 27 and 28.

Domestic and International Equities – DCRB has investments in 5 funds with a domestic focus and 4 funds with an international focus, in which the equity securities maintain some level of market exposure; however, the level of market exposure may vary through time.

Fixed income – DCRB has investments in 6 funds, including corporate bonds, and U.S. Treasury obligations, with redemption notifications not greater than 30 days.

Real Assets – DCRB has made commitments to purchase partnership interests in real asset funds as part of its long-term asset allocation plan for private markets.

Notes to Financial Statements

Investments Measured at Fair Value (Dollars in thousands)

	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Domestic Equity	$ 307,471	$ 289,620	$ 4,997	$ 12,854
International Equity	255,538	2,792	-	252,746
Fixed Income	511,863	-	217,938	293,925
Real Assets	1,073,375	-	-	1,073,375
Private Equity	1,707,947	-	-	1,707,947
Total Investments by Fair Value Level	3,856,194	$ 292,412	$ 222,935	$ 3,340,847
Investment Measured at the Net Asset Value (NAV)				
Domestic Equity	1,846,867			
International Equity	2,640,547			
Fixed Income	1,835,377			
Real Assets	248,695			
Total Investments Measured at NAV	6,571,486			
Total Investments	**$ 10,427,680**			

Additional information for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the table below:

(Dollars in thousands)

	September 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice
Investment Measured at the Net Asset Value (NAV)				
Domestic Equity	$ 1,846,867	$ -	Daily, Quarterly	0-5 days
International Equity	2,640,547	-	Daily, Monthly	1-10 days
Fixed Income	1,835,377	-	Daily, Monthly	0-5 days
Real Assets	248,695	-	Daily, Quarterly	0-45 days
Total Investments Measured at NAV	$ 6,571,486	$ -		

Investments derivative instruments (Dollars in thousands)

	Fair Value September 30, 2023
Forwards	$ 27,684
Liabilities - Forwards	(28,086)
Rights/Warrants	5
Swaps	(73)
Total	$ (471)

Notes to Financial Statements

Investments measured at Fair Value (Dollars in thousands)

	September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Domestic Equity	$ 256,673	$ 236,079	$ 8,322	$ 12,272
International Equity	208,485	6,913	-	201,572
Fixed Income	694,966	-	296,952	398,014
Real Assets	1,062,838	-	-	1,062,838
Private Equity	1,198,075	-	-	1,198,075
Total Investments by Fair Value Level	3,421,037	$ 242,992	$ 305,274	$ 2,872,771
Investment Measured at the Net Asset Value (NAV)				
Domestic Equity	1,754,656			
International Equity	2,202,815			
Fixed Income	1,688,971			
Real Assets	198,281			
Total Investments Measured at NAV	5,844,723			
Total Investments	**$ 9,265,761**			

Additional information for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the table below:

(Dollars in thousands)

	September 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice
Investment Measured at the Net Asset Value (NAV)				
Domestic Equity	$ 1,754,656	$ -	Daily, Quarterly	0-5 days
International Equity	2,202,815	-	Daily, Monthly	1-10 days
Fixed Income	1,688,971	-	Daily, Monthly	0-5 days
Real Assets	198,281	-	Daily, Quarterly	0-45 days
Total Investments Measured at NAV	$ 5,844,723	$ -		

Investments derivative instruments (Dollars in thousands)

	Fair Value September 30, 2022
Forwards	$ 43,038
Liabilities - Forwards	(43,219)
Rights/warrants	11,632
Swaps	(394)
Total	$ 11,056

Notes to Financial Statements

NOTE 7: NET PENSION LIABILITY (ASSET)

The components of the net pension liability (asset) of the District Retirement Funds at September 30, 2023 and 2022 were as follows:

(Dollars in thousands)

	2023		2022	
	TRF	POFRF	TRF	POFRF
Total Pension Liability	$ 3,229,928	$ 7,358,696	$ 2,871,570	$ 6,639,124
Plan Fiduciary Net Position	2,883,895	7,654,185	2,573,262	6,901,351
Net Pension Liability (Asset)	$ 346,033	$ (295,489)	$ 298,308	$ (262,227)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset	89.29%	104.02%	89.61%	103.95%

Actuarial Assumptions - The total pension liability was determined based on an actuarial valuation as of September 30, 2023 and 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement Fund	2023	2022
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.00%	3.00%
Salary increases	4.00% - 7.10%	4.00% - 7.10%
Investment rate of return	6.25%, net of pension plan investment expense	6.25%, net of pension plan investment expense
Mortality (Healthy)	Pub-2010 General Employee and Healthy Retiree Mortality with generational projection using MP-2021 improvement scale	Pub-2010 General Employee and Healthy Retiree Mortality with generational projection using MP-2021 improvement scale
Mortality (Disabled)	Pub-2010 General Disabled Retiree Mortality with generational projection using MP-2021 improvement scale	Pub-2010 General Disabled Retiree Mortality with generational projection using MP-2021 improvement scale
Cost of living adjustments	2.75% for members hired on or after November 1,1996	3.00% for members hired on or after November 1,1996

Notes to Financial Statements

NOTE 7: NET PENSION LIABILITY (ASSET) (continued)

Police and Firefighters' Retirement Fund	2023	2022
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.0%	3.0%
Salary increases	5.15% - 7.80% for police, 4.25% - 7.30% for firefighters	6.25% - 7.25% for police, 4.50% - 6.05% for firefighters
Investment rate of return	6.25%, net of pension plan investment expense	6.25%, net of pension plan investment expense
Mortality (Healthy)	Pub-2010 Public Safety Employee and Healthy Retiree Mortality with males set forward 1 year, with generational projection using MP-2021 improvement scale	Pub-2010 Public Safety Employee and Healthy Retiree Mortality with males set forward 1 year, with generational projection using MP-2021 improvement scale
Mortality (Disabled)	Pub-2010 Public Safety Disabled Retiree Mortality with generational projection using MP-2021 improvement scale	Pub-2010 Public Safety Disabled Retiree Mortality with generational projection using MP-2021 improvement scale
Cost of living adjustments	2.75% for members hired on or after November 1,1996	3.0% for members hired on or after November 1,1996

All assets and liabilities are computed as of October 1, 2023. Demographic information was collected as of June 30, 2023. The actuarial assumptions used were based on the results of the most recent actuarial experience investigation for the period July 1, 2015 to June 30, 2020, dated October 12, 2021.

The discount rate used to measure the total pension liability was 6.25% for both 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the District contributions will be made in accordance with the Board's funding policy adopted in 2012 and revised in 2017. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements

NOTE 7: NET PENSION LIABILITY (ASSET) (continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023 and 2022 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2023	2022	2023	2022
Domestic Equity	20.0 %	20.0 %	8.7 %	6.8
International Developed Equity	16.0	16.0	9.8	7.5
Emerging Market Equity	10.0	10.0	10.0	8.4
U.S. Core Fixed Income	7.0	7.0	2.4	2.4
U.S. Long-Term Government Bonds	3.0	3.0	5.0	2.8
Treasury Inflation - Protected Securities	5.0	5.0	4.5	2.4
Bank Loans	2.0	2.0	7.0	4.0
Emerging Market Debt	4.0	4.0	6.0	4.2
High Yield Bonds	2.0	2.0	7.3	4.4
Foreign Bonds	2.0	2.0	4.0	2.3
Private Equity	9.0	9.0	11.0	10.0
Private Credit	3.0	3.0	7.3	7.1
Real Estate	8.0	8.0	7.8	7.1
Infrastructure	6.0	6.0	8.3	7.3
Natural Resources	2.0	2.0	8.6	8.5
Cash	1.0	1.0	2.9	1.7
Total	100.0 %	100.0 %		

Disclosure of the sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Teachers' Retirement Fund and the Police Officers and Fire Fighters' Retirement Fund, calculated using the discount rate of 6.25% for both 2023 and 2022, as well as what the Fund's net pension liability calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Notes to Financial Statements

NOTE 7: NET PENSION LIABILITY (ASSET) (continued)

(Dollars in thousands)

2023		1% Decrease (5.25%)		Current Discount Rate (6.25%)		1% Increase (7.25%)
Teachers' Retirement Fund						
Net Pension Liability(Asset)	$	930,596	$	346,033	$	(115,901)
Police Officers and Firefighters' Retirement Fund						
Net Pension Asset	$	948,625	$	295,490	$	(1,288,720)

2022		1% Decrease (5.25%)		Current Discount Rate (6.25%)		1% Increase (7.25%)
Teachers' Retirement Fund						
Net Pension Liability(Asset)	$	808,893	$	298,308	$	(105,854)
Police Officers and Firefighters' Retirement Fund						
Net Pension Asset	$	867,473	$	(262,227)	$	(1,163,603)

NOTE 8: CONTINGENCIES

DCRB is party to various legal proceedings, many of which occur in the normal course of its operations. These legal proceedings are not likely to have a material adverse impact on the Funds' financial position as of September 30, 2023 and 2022.

NOTE 9: SUBSEQUENT EVENTS

DCRB has evaluated events subsequent to September 30, 2023 and through December 15, 2023, the date the financial statements were available to be issued and determined that there have not been any events that have occurred that would require adjustments to the financial statements.

FINANCIAL SECTION - REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios
(Dollars in thousands)

Teachers' Retirement Fund	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	$ 90,372	$ 88,666	$ 87,984	$ 80,242	$ 72,429	$ 67,877	$ 65,911	$ 61,599	$ 53,297	$ 50,409
Interest	176,035	165,520	168,636	159,186	144,165	137,704	131,657	124,370	118,378	112,204
Difference Between Expected and Actual Experience	201,979	19,354	(16,580)	(2,364)	103,719	(19,505)	(37,230)	2,656	(7,246)	-
Changes in Assumptions		-	(89,404)	-	-	-	14,106	-	-	-
Benefit Payments	(104,339)	(95,352)	(89,404)	(85,679)	(81,471)	(78,430)	(72,069)	(69,093)	(64,076)	(59,832)
Refunds	(5,689)	(5,236)	(3,417)	(4,873)	(6,418)	(6,126)	(6,166)	(6,205)	(5,576)	(5,790)
Net Change in Total Pension Liability	267,986	172,952	57,815	146,512	232,424	101,520	96,209	113,327	94,777	96,991
Total Pension Liability - Beginning	2,871,570	2,698,618	2,640,803	2,494,291	2,261,867	2,160,347	2,064,138	1,950,811	1,856,034	1,759,043
Total Pension Liability - Ending (a)	$ 3,229,928	2,871,570	2,698,618	2,640,803	2,494,291	2,261,867	2,160,347	2,064,138	1,950,811	1,856,034
Fund Fiduciary Net Position										
Contributions - District Government	47,835	75,060	70,478	58,888	53,343	59,046	56,781	44,469	39,513	31,636
Contributions - Plan Member	58,691	46,914	45,689	42,356	40,432	40,324	34,364	33,591	31,621	28,751
Net Investment Income (Loss)	316,072	(389,391)	513,322	138,924	85,047	94,129	239,554	152,262	(72,647)	132,086
Other Income	965	871	953	803	883	1,038	907	1,033	385	522
Benefit Payments	(104,339)	(95,352)	(89,404)	(85,679)	(81,471)	(78,430)	(72,069)	(69,093)	(64,076)	(59,832)
Administrative Expense	(2,565)	(4,488)	(4,127)	(3,511)	(3,440)	(4,474)	(4,721)	(4,746)	(4,543)	(3,787)
Refunds	(5,689)	(5,236)	(3,417)	(4,873)	(6,418)	(6,126)	(6,166)	(6,205)	(5,576)	(5,790)
Change in Fiduciary Net Position	310,970	(371,622)	533,494	146,908	88,376	105,507	248,650	151,311	(75,323)	123,586
Fund Fiduciary Net Position - Beginning	2,573,262	2,944,884	2,411,390	2,264,482	2,176,106	2,070,599	1,821,949	1,670,638	1,745,961	1,622,375
Adjustment for final asset- Beginning	(337)									
Fund Fiduciary Net Position - Ending (b)	2,883,895	2,573,262	2,944,884	2,411,390	2,264,482	2,176,106	2,070,599	1,821,949	1,670,638	1,745,961
Net Pension Liability (Asset) - Ending (a) - (b)	$ 346,033	$ 298,308	$ (246,266)	$ 229,413	$ 229,809	$ 85,761	$ 89,748	$ 242,189	$ 280,173	$ 110,073
Ratio of Fund Fiduciary Net Position to Total Pension Liability (Asset) - (b) / (a)	89.29%	89.61%	109.13%	91.31%	90.79%	96.21%	95.85%	88.27%	85.64%	94.07%
Covered Payroll	$ 624,500	$ 575,288	$ 538,565	$ 490,756	$ 466,792	$ 470,749	$ 447,762	$ 438,079	$ 417,090	$ 378,926
Net Pension Liability (Asset) as a Percentage of Covered Payroll	55.41%	51.85 %	(45.73)%	46.75%	49.23%	18.22%	20.04%	55.28%	67.17%	29.05%

Note: Schedule is intended to show information for 10 years.

Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios
(Dollars in thousands)

Police and Firefighters' Retirement Fund	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	$ 195,420	$ 203,080	$ 217,495	$ 209,411	$ 180,928	$ 182,641	$ 196,629	$ 198,020	$ 192,114	$ 176,102
Interest	408,414	380,658	386,386	359,706	338,288	318,719	300,626	282,285	257,943	235,097
Difference Between Expected and Actual Experience	324,730	55,933	(189,740)	(8,567)	(57,642)	(84,452)	(188,549)	(106,840)	(2,477)	-
Changes in Assumptions	-	-	(97,495)	-	-	-	67,256	-	-	-
Benefit Payments	(206,844)	(179,984)	(156,455)	(140,044)	(121,342)	(106,794)	(92,537)	(79,137)	(63,634)	(52,784)
Refunds	(2,149)	(2,177)	(2,420)	(1,236)	(1,533)	(1,580)	(1,647)	(2,179)	(1,396)	(1,637)
Net Change in Total Pension Liability	719,571	457,510	157,771	419,270	338,699	308,534	281,778	292,149	382,550	356,778
Total Pension Liability - Beginning	6,639,124	6,181,614	6,023,843	5,604,573	5,265,874	4,957,340	4,675,562	4,383,413	4,000,863	3,644,085
Total Pension Liability - Ending (a)	7,358,695	6,639,124	6,181,614	6,023,843	5,604,573	5,265,874	4,957,340	4,675,562	4,383,413	4,000,863
Fund Fiduciary Net Position										
Contributions - District Government	77,508	108,965	109,933	93,061	91,284	105,596	145,631	136,115	103,430	110,766
Contributions - Plan Member	44,249	36,997	37,433	37,880	38,243	34,478	33,424	32,785	33,679	32,821
Net Investment Income (Loss)	855,245	(1,044,735)	1,391,936	381,607	232,987	316,842	655,310	415,157	(187,283)	338,894
Other Income	2,563	2,338	2,585	2,207	2,435	2,356	2,468	2,810	1,012	1,342
Benefit Payments	(206,844)	(179,984)	(156,455)	(140,044)	(121,342)	(106,794)	(92,537)	(79,137)	(63,634)	(52,784)
Administrative Expense	(16,832)	(12,047)	(11,208)	(9,648)	(9,481)	(11,570)	(12,838)	(12,918)	(11,939)	(9,730)
Refunds	(2,149)	(2,177)	(2,420)	(1,236)	(1,533)	(1,580)	(1,647)	(2,179)	(1,396)	(1,637)
Change in Fiduciary Net Position	753,740	(1,090,643)	1,371,804	363,827	232,593	339,328	729,811	492,633	(126,131)	419,672
Fund Fiduciary Net Position - Beginning	6,901,351	7,991,994	6,620,190	6,256,363	6,023,770	5,684,442	4,954,631	4,461,998	4,588,129	4,168,457
Adjustment for final assets	(906)									
Fund Fiduciary Net Position - Ending (b)	$ 7,654,185	6,901,351	7,991,994	6,620,190	6,256,363	6,023,770	5,684,442	4,954,631	4,461,998	4,588,129
Net Pension Liability (Asset) - Ending (a) - (b)	(295,490)	$ (262,227)	$ (1,810,380)	$ (596,347)	$ (651,790)	$ (757,896)	$ (727,102)	$ (279,069)	$ (78,585)	$ (587,266)
Ratio of Fund Fiduciary Net Position to Total Pension Liability (Asset) - (b) / (a)	104.02%	103.95%	129.29%	109.90%	111.63%	114.39%	114.67%	105.97%	101.79%	114.68%
Covered Payroll	$ 512,498.00	$ 528,910	$ 516,881	$ 473,513	$ 460,686	$ 454,209	$ 441,904	$ 438,114	$ 446,201	$ 426,135
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(57,66)%	(49.58)%	(350.25)%	(125.94)%	(141.48)%	(166.86)%	(164.54)%	(63.70)%	(17.61)%	(137.81)%

Note: Schedule is intended to show information for 10 years.

Schedules of Employer Contributions
(Dollars in thousands)

Teachers' Retirement Fund					
Fiscal Year Ended September 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2014	$ 31,636	$ 31,636	$ -	$ 378,926	8.35 %
2015	39,513	39,513	-	417,090	9.47
2016	44,469	44,469	-	438,079	10.15
2017	56,781	56,781	-	447,762	12.68
2018	59,046	59,046	-	470,749	12.54
2019	53,343	53,343	-	466,792	11.43
2020	58,888	58,888	-	490,756	12.00
2021	70,478	70,478	-	538,565	13.09
2022	75,060	75,060	-	575,288	13.05
2023	47,835	47,835	-	624,500	7.66

Notes to Schedule:

Valuation Date: For the fiscal year 2023 and prior, actuarially determined contribution amounts are calculated as of the beginning of the fiscal year. Actual contributions are based on valuations as of October 1, two years prior to the end of the fiscal year in which contributions are reported. Actuarial valuations are performed every year. The assumptions shown below are from the currently approved assumptions, and assumptions used to determine contributions in the past may not have been the same.

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	Plan surplus is amortized over 30 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	4.00% to 7.10%; includes wage inflation of 3.00%
Investment rate of return	6.25%, net of pension plan investment expense
Mortality	Pre-retirement and post-retirement mortality rates were based on the Pub - 2010 General Employee and Healthy Retiree Mortality Table. Post-disability mortality rates were based on the Pub - 2010 General Disabled Retiree Mortality Table.
Cost of living adjustments	Increases at the rate of 3.25% per year for members hired prior to November 10, 1996, and 2.75% per year for members hired after November 10, 1996.The cost-of-living increase is limited to no more than 3% for members hired on or after November 10, 1996.

Schedules of Employer Contributions
(Dollar amounts in thousands)

Police Officers and Firefighters' Retirement Fund					
Fiscal Year Ended September 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2014	$ 110,766	$ 110,766	$ -	$ 426,135	25.99 %
2015	103,430	103,430	-	446,201	23.18
2016	136,115	136,115	-	438,114	31.07
2017	145,631	145,631	-	441,904	32.96
2018	105,596	105,596	-	454,209	23.25
2019	91,284	91,284	-	460,686	19.81
2020	93,061	93,061	-	473,513	19.65
2021	109,933	109,933	-	516,881	21.27
2022	108,965	108,965	-	528,910	20.60
2023	77,508	77,508	-	512,498	15.12

Notes to Schedule:

Valuation Date: For the fiscal year 2023 and prior, actuarially determined contribution amounts are calculated as of the beginning of the fiscal year. Actual contributions are based on valuations as of October 1, two years prior to the end of fiscal year in which contributions are reported. Actuarial valuations are performed every year. The assumptions shown below are from the currently approved assumptions, and assumptions used to determine contributions in the past may not have been the same.

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	Plan surplus is amortized over 30 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	4.25% to 7.80%; includes wage inflation of 3.00%
Investment rate of return	6.25%, net of pension plan investment expense
Mortality	Pre-retirement and post-retirement mortality rates were based on the Pub - 2010 Public Safety Employee and Healthy Retiree Mortality with males set forward 1 year, with generational projection using MP-2021 improvement scale. Post-disability mortality rates were based on the Pub - 2010 Public Safety Disabled Retiree Mortality with generational projections using MP-2021 improvement scale
Cost of living adjustments	Increases at the rate of 3.25% per year for members hired prior to November 10,1996 and 2.75% per year for members hired on or after November 10, 1996. The cost-of-living increase is limited to no more than 3% for members hired on or after November 10, 1996.

Schedule of Investment Returns

Annual Money-Weighted Rates of Return, Net of Fees

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Total Portfolio	11.880%	(12.500)%	20.900 %	5.270 %	3.840 %	5.340 %	12.970 %	9.346 %	(4.006)%	8.178%

Note: This schedule is intended to show information for 10 years.

FINANCIAL SECTION - SUPPLEMENTARY INFORMATION

Schedules of Administrative Expenses
For the years ended September 30, 2023, and 2022

	2023	2022
Personal Services		
Salaries	$ 8,342,469	$ 7,584,486
Fringe Benefits	1,913,566	1,737,934
Total Personal Services	**10,256,035**	**9,322,420**
Nonpersonal Services		
Office Supplies	158,265	66,480
Telephone	12,957	20,886
Travel	183,686	92,478
Professional Fees	2,898,934	3,212,258
Postage	10,480	8,149
Printing	4,239	6,964
Insurance	467,071	609,531
Dues and Memberships	42,843	40,361
Audit Costs	144,642	100,892
Actuarial Fees	124,182	67,616
Legal Fees	862,756	1,172,651
Investment Fees	31,943,723	20,758,121
Contractual Services (STAR)	3,378,381	2,613,486
Equipment and Rental	99,456	159,307
Depreciation	-	265,683
Total non-personal services	**40,331,615**	**29,194,863**
Total administrative expenses	**50,587,650**	**38,517,283**
Investment expenses	**(33,152,468)**	**(21,982,253)**
Net administrative expenses	**$ 17,435,182**	**$ 16,535,030**

Schedules of Investment Expenses

For the years ended September 30, 2023 and 2022

	2023	2022
Investment Managers*	$ 30,588,306	$ 19,704,704
Investment Administrative Expense	1,208,745	1,224,132
Investment Consultants	920,000	713,000
Investment Custodian	435,417	340,417
Total Investment Expenses	$ 33,152,468	$ 21,982,253

*Investment managers' fees include mainly traditional managers' fees, as well as some non-traditional managers.

Schedules of Payments to Consultants
For the years ended September 30, 2023 and 2022

Professional/Consultant	Nature of Service	FY2023	FY 2022
U.S. Treasury Office of D.C. Pensions	Benefit Payment Processing	3,038,881	2,580,486
Morgan, Lewis & Bockius	Legal Counsel	730,231	739,687
Funston Advisory Services, LLC	Audit and Consulting Services	147,332	294,664
Jones Day	Executive Consulting	1,166,769	1,110,209
Bolton Partners, Inc.	Actuarial Services	124,182	141,005
Office of Contract and Procurement	Procurement Services	-	108,576
Polihire Strategy Corp	Recruitment Consulting	-	35,282
Phaidon International US, Inc.	Professional Services	56,000	-
Colmore, Inc.	Investment Consulting	255,938	119,600
NJ3Q Technology, LLC	Information Technology Consulting	24,812	12,017
Raymond C. Fay dba Fay Law Group PLLC	Legal Counsel	30,000	-
Convergence, Inc.	Investment Consulting	-	40,000
DC Net	Information Technology Consulting	-	100,504
James M Loots PC	Executive Consulting	-	22,002
Capitol Document Solutions	Information Technology Consulting	38,483	37,658
Advent Software, Inc.	Investment Consulting	37,508	71,838
Diligent Corp	Information Technology Consulting	67,378	-
CDW LLC dba CDW Government LLC	Information Technology Consulting	11,109	-
Election-America, Inc,	Trustee Elections	15,681	30,851
D.C. Office of the Chief Technology	Information Technology Consulting	479,231	371,405
eVestment Alliance	Online Investment Service	25,447	23,738
vTech Solutions, Inc.	Benefits Staffing Services	87,136	14,388
Dell Marketing LP	IT Equipment Purchase	6,050	97,676
Crowe LLP	Professional Services	130,930	137,233
Groom Law Group	Legal Counsel	102,525	455,325
WatsonRice LLP	Audit Costs	61,837	80,892
Document Systems, Inc	IT Software Maintenance	25,612	-
The Seaprompt Corporation	IT Software Maintenance	74,360	68,049
Globalscape, Inc.	IT Software Maintenance	33,729	-
Carahsoft Technology Corporation	IT Software Maintenance	-	8,756
Networking for Future, Inc. dba NFF, Inc.	IT Software Maintenance	25,130	-
Changing Technologies, Inc.	IT Software Maintenance	8,760	9,929
CJEN, Inc.	IT Software Purchase	6,999	5,995
HBP, Inc.	Graphic Design for Publications	4,188	-
Office of Finance and Resource Management	Information Technology Consulting	6,369	13,793
D.C. Department of Human Resources	Professional Services	57,626	56,220
Prism International, LLC	IT Software Maintenance	22,854	-
Techflairs, Inc.	Benefits Staffing Services	-	46,047
Kastle Systems, LLC	Office Security	13,343	14,370
Hartford Casualty Insurance Company	Insurance Consulting	11,341	10,612
Midtown Personnel, Inc.	Benefits Staffing Services	107,654	60,758
Institutional Shareholder Services, Inc.	Investment Consulting	12,302	13,319
RSM US LLP formerly RSM McGladrey, Inc.	IT Software Maintenance/Financial System Consulting	114,662	91,832
Total Administrative Consultants		7,162,389	7,024,716

(Continued on next page)

Professional/Consultant	Nature of Service	FY2023	FY 2022
Investment Consulting			
Meketa Investment Group	Investment Consultant	828,000	713,000
Abel Noser Solutions, LLC	Investment Consultant	10,000	-
CEM Benchmarking, Inc.	Investment Consultant	82,000	-
Total Investment Consultants		920,000	713,000
Total Payments to Consultants		8,082,389	7,737,716

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS.*

To the Board of Trustees, District of Columbia Retirement Board for
District of Columbia Teachers' Retirement Fund and
District of Columbia Police Officers and Fire Fighters' Retirement Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combining financial statements of District of Columbia Teachers' Retirement Fund and District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Funds), Pension Trust Funds of the Government of the District of Columbia, which comprise the Combining Statement of Fiduciary Net Position as of September 30, 2023, and the related Combining Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the Funds combining financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated December 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Funds' financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Funds' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Lanham, MD Watson Rice LLP
December 15, 2023

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.

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